

Introduction to County Budgeting

Defining a Budget

In simple terms, a budget is an entity's plan for its financial resources. It is an estimate of proposed spending for a given period and the proposed means of paying for them. Two basic components of the budget are the revenue section and the expenditure section.

Defining Revenue and Expenditure

Revenue is an increase in the financial resources of a government. Some examples of local government revenues are property taxes, assessments, permits and fees, licenses, fines, charges for service, grants, and payments from other governments. Monroe County has a large variety of revenue sources.

An expenditure is a decrease in the financial resources of a government. Expenditures include, for example, current day-to-day expenses such as salaries, payment of principal and interest on long term debt and bonds, utilities and material costs, and purchase of vehicles, equipment or property.

Budget Structure – Fund Accounting

An important concept in government accounting and budgeting is subdividing the budget into what are called "funds". This is called fund accounting. Fund accounting allows a government to budget and account for funds restricted by law or policy. These funds allow the County to segregate certain revenues and then account for expenditures from these revenues.

The County budget has approximately 60 funds. These funds can be compared to a company spreading its business among 60 banks. The County uses these funds for example, to make payments on different types of County debt or to track fees collected to pay for certain County services.

Each of these funds must balance - that is, revenues must equal expenditures - and each must be separately monitored. The County budget, adopted each year by the Board of County Commissioners (BOCC), is actually the total of the separate funds or accounts.

Rationale for the Budget Structure

Monroe County produces its budget in conformance with rules and regulations developed for local governments. While it does not take an accountant to understand a local government budget, the reader should understand the County develops its budget in accordance with uniform accounting concepts and budgeting standards. Some of the more important standards are:

- ***National Accounting Standards*** - Just as businesses follow what are known as generally accepted accounting principles (abbreviated as "GAAP"), governments follow national standards for financial reporting. A government using consistent standards can look at itself over time to measure its financial strengths. Comparative measures of performance can then be made with other units of government.

Some of the standards Monroe County uses are those of the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB).

- ***State of Florida Budgeting Standards*** - The State of Florida establishes budgeting and financial rules for local Florida governments. An example is its rule for timing of the annual budget cycle. The fiscal year for counties begins October 1st and ends September 30th of the following calendar year. Another example is its rule about how a county adopts a budget and how a county sets property tax rates.

- ***Federal and State Grant Requirements*** - Monroe County receives grants from several federal and state agencies. To insure the County uses these funds for specific programs, these agencies require the County to keep these grant funds separate from other County revenues. This segregation requires a more complex financial structure to manage these "restricted" dollars.

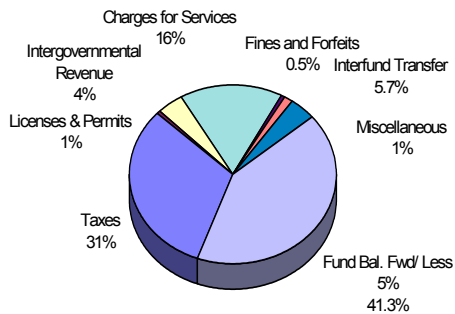
- ***Local Budgeting Standards*** - Finally, the Board of County Commissioners establishes uses for some fees collected by the County to insure they are spent on specific programs. Impact fees and permit fees are examples of revenues with such self-imposed restrictions.

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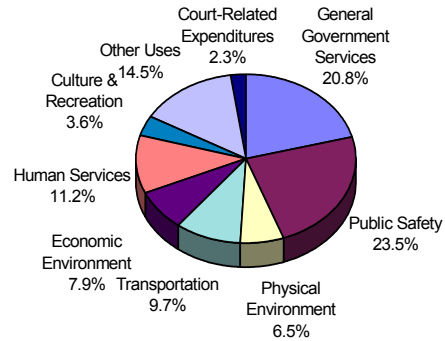
Balancing the Monroe County Budget

Unlike the federal government, Florida law states a county must have a balanced budget. The amount of proposed revenues must equal the expenditures for each of the more than 60 funds. When OMB “balances the budget,” the revenues must balance the appropriations for each fund and thereby for the entire budget. This means Monroe County has no budget deficit.

Where the Money Comes From (Sources)
FY 2004 - All Funds



Where the Money Goes (Uses)
FY 2004 - All Funds



Sources	FY 02 Actual	FY 03 Adopted	FY 04 Proposed
Taxes	83,526,594	85,282,551	89,850,164
Licenses & Permits	1,916,623	1,465,000	1,565,000
Intergovernmental Revenue	22,168,002	11,846,519	11,908,323
Charges for Services	47,885,515	43,125,788	46,525,694
Fines and Forfeits	2,335,429	1,299,000	1,293,500
Miscellaneous	6,846,683	4,164,287	3,870,279
Interfund Transfers	17,419,022	11,386,854	12,127,622
Fund Bal Fwd/ Less 5%		110,740,005	119,732,549
Total Sources	\$182,097,868	\$269,310,004	\$286,873,131

Uses	FY 02 Actual	FY 03 Adopted	FY 04 Proposed
General Government Services	37,136,461	44,952,408	59,725,077
Public Safety	63,657,945	61,600,287	67,446,111
Physical Environment	14,924,946	17,093,972	18,689,040
Transportation	22,603,312	35,328,514	27,714,228
Economic Environment	15,475,903	24,221,802	22,543,087
Human Services	26,214,997	28,661,715	32,131,933
Culture & Recreation	6,316,515	6,706,310	10,464,988
Other Uses	13,721,149	42,347,082	41,679,337
Court-Related Expenditures	5,950,057	8,397,914	6,489,330
Total Uses	\$206,001,285	\$269,310,004	\$286,873,131

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An Important Revenue – Property Taxes

A "property tax," more specifically called an "ad valorem" tax, is a tax based on the value of the property. We derive the term, "ad valorem" from the Latin phrase meaning "according to value."

In Florida, there are three factors for calculating the amount of property tax assessed on a piece of real estate: the value of the property, the amount of the value exempted from tax, and the tax rate. Each county's Property Appraiser's Office calculates property values and Florida law dictates the exemptions. The tax rates are set by the various local governments authorized to collect property taxes according to Florida law.

The ad valorem tax rate is expressed in "mills." A mill equals \$0.001. The rate at which the tax is charged is called the "millage rate". If the ad valorem tax rate is 8 mills, the "millage rate" is 8 mills. This means that per dollar of property value, a property or ad valorem tax of \$0.008 is paid. It is much easier to think of the rate as how many dollars of tax will be paid per thousand dollars of property value. For example, if the property is valued at \$10,000 and the millage rate is 8 mills, you would pay \$8 per \$1,000 value or \$80.

Other Sources of County Revenues

Monroe County raises revenues from sources other than property taxes such as licenses and permits, revenues from federal and state sources, charges for services, fines and forfeitures, grants, rents and interest.

It is important to understand the County has the ability to combine property taxes and other revenues to support a broad range of activities. The County also uses property taxes and other revenues to supplement programs receiving grant funds from the state and federal government. If grant or other funding decrease, the County must decide whether to raise tax revenues to support these various programs rather than reduce service.

The Dual Roles Florida Counties Serve

In Florida, a county may serve a dual role. It can provide some services to all county residents regardless of whether or not the residents live in a city. These services are called "countywide" and use the *Countywide Property Tax* as a means of financing. It may also provide municipal-type services to residents in the unincorporated areas. These areas are portions of the county, which are not incorporated as cities. These services are called "MSTU" services and use *Municipal Services Taxing Unit Property Tax* as one of the means of financing these services.

Multiple Taxing Authorities - Florida law allows a county to charge one property tax rate countywide for services provided to the entire county population. State law also requires a county to charge another property tax rate in only the unincorporated area for the city-type services supplied by the county. If you look carefully at your annual tax bill, you will see several lines for the various property taxes:

The General Revenue Fund - The "General Revenue Fund" line in your tax bill is a county-wide tax that finances a diverse number of services such as environmental protection, shelter and care for impounded animals, general assistance for the indigent, public facilities maintenance, and libraries.

It also pays for a variety of administrative functions required of a large organization: computer systems, communications purchasing, budget, human resources, finance and legal services.

The Law Enforcement, Jail, Judicial Fund - The "Law Enforcement, Jail, Judicial Fund" line on your tax bill is a countywide tax that pays for operation of the Sheriff's Department, jail maintenance and the County's court support system.

The Health Clinic - This is a countywide tax used to support the operation of the County's public health clinic.

The General Purpose MSTU - Another name for the property tax on the unincorporated area is the *Municipal Services Taxing Unit Property Tax*, or General Purpose MSTU tax. This line in your tax bill pays for services normally provided by municipalities. MSTU services and includes land use planning, zoning, fire marshal, code enforcement, emergency medical services, fire services, and maintain county parks.

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There are also separate property taxes levied for special assessment tax districts such as ***Fire and Ambulance, Mosquito Control and South Florida Water Management***. Monroe County also taxes for the operation of its schools under the separate authority of the ***School Board***.

Special Assessment Property Tax

A non-ad valorem assessment, also called a special assessment, is a fee levied on certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties. The value of the property is not considered when calculating a special assessment. Instead, the cost of the facility or the service is allocated to the properties in a defined area. This allocation is based on the degree to which the property will reasonably benefit from the facility or service.

It is important to note that Monroe County is not the only jurisdiction levying these special assessments in the unincorporated area. There are a number of separate special assessment districts and with the ability to levy these assessments.

Other Governments in Monroe County

One frequent misunderstanding is that the Monroe County Board of County Commissioners oversees the local school system. While school boards in other states have their budgets approved by the county commissioners or the county board of supervisors, school districts in Florida are *separate taxing authorities*. The property tax levy for the school system is separate from the County's on the annual tax bill.

Other units of government which levy property tax separately from Monroe County are the *Mosquito Control District* and a multi-county district -- the *South Florida Water Management District*.

There are also five cities in the county: Key West, Islamorada, Marathon, Layton and Key Colony Beach. These cities have separate budgets and revenue sources.

Tracking the County's Budget

With 4,000 line items and dozens of organizations within its purview, Monroe County relies on computers with sophisticated budgeting software to help with budgeting and accounting.

Like many counties in Florida, the Monroe County Clerk of the Circuit Court performs the day-to-day accounting such as writing checks to vendors and processing payrolls. The Monroe County Office of Management and Budget under the County Administrator prepares the budget using a computerized budget preparation system.

Developing the Budget

The process of compiling the annual budget actually is a year-round activity. The basis for the process is a framework of statutory deadlines established by the State of Florida. The County Administrator and the OMB Department staff establish the remainder of the process. County administration sets interim deadlines to insure necessary information is collected, priorities are determined, and recommendations can be made by the County Administrator to the Board of County Commissioners. The County Administrator has been designated to serve as the official budget officer for Monroe County, to the Board of County Commissioners, which, in turn establishes tax rates and adopts the annual budget.

While the process may change somewhat from year to year, an examination of the process illustrates the many steps to adopting an annual budget.

An annual budget, including all such funds as required by law, shall be prepared and approved each fiscal year. The budget process is conducted in accordance with Chapters 125, 129, 200 and 218 of the Florida Statutes as amended. Monroe County processes the budget in four basic phases:

1. Planning Phase (January - March)
2. Preparation Phase (April - July)
3. Adoption Phase (July - September)

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4. Implementation and Adjustment Phase (Year-round)

The phases are outlined as follows:

Planning Phase - Early in the budget process, OMB staff prepares budget instruction packages which are used by County departments to submit their annual budget requests. Departments are asked to develop statistical measures to describe the levels of services they offer. Management evaluates the statistical measures to determine what services can be maintained at a particular level of operational funding. During the planning phase, departments are also asked to estimate their capital needs for the upcoming fiscal year as well as estimated needs for an additional six years. These estimates form the basis for the long-range *Capital Projects Plan*.

Preparation Phase - The County Administrator and OMB conduct a budget “kickoff” meeting in March for all departments funded by the Board of County Commissioners (BOCC). Internal service fund departments provide their revenue and expense estimates. All other departments are required to submit their expense estimates by April 8. Most Constitutional Officers submit their budgets by June 1. The County Administrator conducts a series of budget review meetings with the departments and makes final decisions on a proposed *Tentative Budget* to be presented to the BOCC.

Adoption Phase - The County Administrator presents a proposed *Tentative Budget* to the BOCC at policy workshops in July. All policy workshops, as well as public hearings, are televised live and videotaped for re-broadcast. After receiving priorities from the BOCC in the policy workshops, the *Tentative Budget* is modified and a public hearing is held between 65 and 80 days following certification of taxable value. This hearing serves to explain the budget components and to receive requests and complaints from the public and amend the budget as they see fit. In accordance with State “Truth-in-Millage” (TRIM) requirements, the BOCC establishes tentative property tax millages which are publicly announced and mailed to all property owners in August. The BOCC schedules three public budget hearings in September: Key Largo, Key West and Marathon. The *Adopted Budget* and all final millages are formally approved at the last public hearing.

Implementation and Adjustment - Once the *Adopted Budget* is implemented on October 1, OMB monitors actual spending versus the budget and reports to the BOCC variances in the quarterly Financial Management Report. Changing circumstances usually require minor adjustments within department budgets during the year which are handled by requests to OMB. Any major adjustments that require movement of budgeted funds between departments must be approved by the BOCC by resolution or formal budget amendment in a properly noticed public meeting.

The multi-year *Capital Projects Plan* which is approved during the September public hearings should not be confused with the capital budget. The capital budget represents the first year of the capital projects plan and is legally approved as a part of the *Adopted Budget* in September. Projects and financing sources listed in the *Capital Projects Plan* beyond the current year are not authorized until the annual budgets for those “out years” are legally adopted in the process described above.

The following is the schedule that was followed to adopt the Fiscal Year 2004 budget:

<u>DATE</u>	<u>ACTIVITY</u>
Mar. 10 & Mar 11	Internal staff workshops with departments for discussion of budget preparation and format changes. Capital project, impact fee forms, instructions to Departments.
Apr. 14	Deadline for submission of Internal Service Funds and department (including TDC) budget requests to OMB.
Apr. 28 through May 2	Bottom line review by OMB.

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May 5 through May 9	Internal budget reviews by Administrator with Divisions and OMB.
May 19	Deadline for final submission to OMB of budgets from departments.
May 30	Submission of budget requests from Sheriff, Clerk of the Court, Public Defender, State Attorney, Property Appraiser, Housing Authority, Judicial, and Supervisor of Elections to the Administrator. Last date to receive input from Human Services Advisory Board.
July 1	Property Appraiser certifies Assessment of all property values on DR 420.
July 15	Tentative budget to be delivered at a regular BOCC Meeting (the budget must be delivered To the Commission no later than July 15 th F.S. 129.03)
July 16	Second day of regular BOCC Meeting
Jul. 18	Discussion of Budget, CIP, and Proposed Millage Rates with the Board.
Jul. 22	Discussion of Budget, CIP, and Proposed Millage Rates with the Board, and, if possible, selection of dates, times, and places for public hearings and approval to advise the Property Appraiser of proposed Millage Rates.
Jul. 25	If necessary, BOCC meeting to select dates, times and places for public hearings and approval to advise the Property Appraiser of proposed Millage rates.
Aug. 4	Last day to advise Property Appraiser of Proposed millage rate; current year rolled-back rate and the date, time and place of the Tentative Budget Hearing.
Aug. 24	Last day for Property Appraiser to mail out the notice of Proposed Property Taxes (TRIM NOTICES).
Sept. 3	First public hearing after 5:00 P.M. (between 65 -80 days after the property appraiser certifies the Assessment). To be held in the Lower Keys (Cannot conflict with School Board Hearing) Adoption of Tentative Budget and Millage Rate.
Sept. 10	Second public hearing after 5:00 P.M. To be held in Upper Keys.
Sept. 17	Regularly scheduled BOCC Meeting. Final public hearing after 5:00 P.M. (to adopt a final budget and Millage Rate. Must be held within 15 days of First Hearing with proper advertisement of meeting. To be held in the Middle Keys. (Cannot conflict with School Board Hearing).

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to Monroe County for its annual budget for the fiscal year beginning October 1, 2002.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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Finding Information About the Budget

The budget for Monroe County is available in draft form any time after presentation of the tentative budget by the County Administrator to the Board of County Commissioners in early July. Based on the County Administrator's recommendations, OMB produces a budget summary. Copies of the summary document are available in the public libraries in July and August.

Changes may be made in the **COUNTY ADMINISTRATOR'S TENTATIVE BUDGET PRIOR** to the public budget hearings in September.

In accordance with Florida law, the County also advertises a summary budget in a newspaper of general circulation prior to final adoption.

After the Board of County Commissioners approves the budget in September, the OMB Department compiles the final budget document. Information on where detailed budget documents are available for public review can be obtained by calling the Monroe County OMB Department at (305) 292-4470.

Budget information is also available on the internet at the County's world-wide web site **www.monroecounty-fl.gov**.